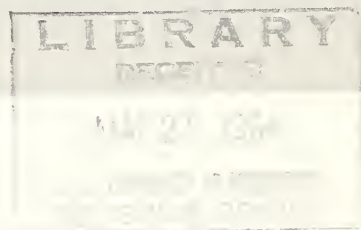


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The Organization of Wholesale Fruit and Vegetable Markets in Minneapolis-St. Paul and Duluth-Superior



Marketing Research Report No. 647

U.S. DEPARTMENT OF AGRICULTURE

Economic Research Service Marketing Economics Division

in cooperation with Minnesota Agricultural Experiment Station

FOREWORD

This is the 11th in a group of reports under the general title, "The Organization of Wholesale Fruit and Vegetable Markets." Earlier reports in the group are:

The Organization of the Wholesale Fruit and Vegetable Market in Boston, by Alden C. Manchester, Mktg. Res. Rpt. No. 515, Dec. 1961.

The Organization of the Wholesale Fruit and Vegetable Market in Washington, D.C., by Alden C. Manchester, Mktg. Res. Rpt. No. 524, Feb. 1962.

The Organization of the Wholesale Fruit and Vegetable Markets in Denver, Salt Lake City, El Paso, Albuquerque, and Butte, by Alden C. Manchester, Mktg. Res. Rpt. No. 541, June 1962.

The Organization of the New York City Wholesale Fruit and Vegetable Market, by Alden C. Manchester, Mktg. Res. Rpt. No. 542, June 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Pittsburgh, by Alden C. Manchester, Mktg. Res. Rpt. No. 557, Aug. 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Dallas, Fort Worth, Houston, and Little Rock, by Alden C. Manchester, Mktg. Res. Rpt. No. 558, Aug. 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Philadelphia, by Joseph C. Podany, Mktg. Res. Rpt. No. 559, Sept. 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Detroit, Albany-Schenectady-Troy, and West Virginia, by Alden C. Manchester, Mktg. Res. Rpt. No. 562, Oct. 1962.

The Organization of the Wholesale Fruit and Vegetable Market in Seattle-Tacoma, Portland, and Spokane, by W. Fred Chapman, Mktg. Res. Rpt. No. 563, Oct. 1962.

The Organization of the Wholesale Fruit and Vegetable Markets in Miami and Tampa-St. Petersburg, by Robert W. Bohall, Mktg. Res. Rpt. No. 593, April 1963.

Other reports, some of which will be published by cooperating agricultural experiment stations will describe several other markets throughout the Nation. A summary report on these studies was published recently.

The Structure of Wholesale Produce Markets, by Alden C. Manchester, Agr. Econ. Rpt. 45, Dec. 1963.

This work is a part of a program of research designed to broaden understanding of the food marketing system and thereby make it more efficient. Earlier reports on this general subject include:

The Changing Role of the Fruit Auctions, by Alden C. Manchester, Mktg. Res. Rpt. No. 331, June 1959.

Chainstore Merchandising and Procurement Practices: The Changing Retail Market for Fresh Fruits and Vegetables, by William E. Folz and Alden C. Manchester, Mktg. Res. Rpt. No. 417, July 1960.

Further research is underway on the impact of changes taking place in the organization and operation of wholesale fruit and vegetable markets on shipping-point markets, including growers, packers, and shippers.

Definitions of many of the terms used in this study are in the appendix.

The Fruit and Vegetable Division of the Agricultural Marketing Service was most helpful in planning the study.

The fieldwork in the Minneapolis-St. Paul market was carried out by John K. Hanes and Alden C. Manchester of the Economic Research Service. Information from the firms in Duluth-Superior was obtained by Frank J. Smith Jr., Dale C. Dahl, and B. G. Crewdson of the Minnesota Agricultural Experiment Station.

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HIGHLIGHTS

Wholesale and retail organizations in Minneapolis-St. Paul received 18,900 carlots of fresh fruits and vegetables in 1958. Firms in the Duluth-Superior market received 2,200 carlots. In addition, 3,900 carlots owned or controlled by firms in the market bypassed the Minneapolis-St. Paul market and 500 carlots bypassed the Duluth-Superior market.

The Minneapolis-St. Paul produce market had 78 firms of 22 types in 1958. The 45 wholesale handlers sold 33 percent of the total fresh fruits and vegetables sold by all firms. The 20 brokers and agencies sold 42 percent and the 13 retail organizations 25 percent.

Of the total supply to the Minneapolis-St. Paul market, direct purchases by brokers and agencies accounted for 59 percent, retail organizations accounted for 17 percent, and wholesale handlers 15 percent. Nine percent of the total supply was purchased and received by individual retail outlets, processors, and consumers and was not handled by wholesalers or integrated retail organizations.

The Minneapolis-St. Paul market has changed from primarily a diversion and shipping-point market to primarily a receiving market during the past 30 years. Near-by production of potatoes, fruits, and other vegetables for fresh market has decreased sharply. Volume at farmers' markets declined from over 13,000 carlots in 1936 to less than 1,000 in 1958. The number of metropolitan area shippers of potatoes and other local produce decreased from 24 in 1926 to none in 1958. The number of wholesalers, as listed in a leading trade directory, decreased from 124 in 1939 to 84 in 1958.

The Duluth-Superior produce market in 1958 consisted of 14 firms of 9 types. Of the volume of fresh fruits and vegetables sold by wholesale and retail organizations, the 10 wholesalers sold 77 percent and the 4 retail organizations sold 23 percent.

Eighteen percent of the total supply to the Duluth-Superior market went direct to retailers, restaurants, and consumers and was not handled by wholesalers and retail organizations in the market. Of the total volume handled by wholesalers and retail organizations in the market, 80 percent was purchased direct by wholesalers and 20 percent was purchased direct by retail organizations.

The number of Duluth-Superior wholesalers listed in a trade directory decreased from 21 in 1939 to 11 in 1958. No new firms entered the market during the 5 years previous to 1958.

THE ORGANIZATION OF THE WHOLESALE FRUIT AND VEGETABLE MARKETS IN MINNEAPOLIS-ST. PAUL AND DULUTH-SUPERIOR

by John K. Hanes, Agricultural Economist
Marketing Economics Division
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INTRODUCTION

As the major market in the upper Midwest, the Minneapolis-St. Paul market supplies fruits and vegetables throughout Minnesota and into parts of South Dakota, North Dakota, Michigan, Wisconsin, and Canada. One firm makes regular truck shipments to Winnipeg, Manitoba, a distance of 450 miles, and several firms provide regular service to customers 200 to 300 miles from the Twin Cities (Minneapolis-St. Paul). In contrast, the Duluth-Superior market is primarily local, receiving almost half of its volume from Minneapolis-St. Paul, and most sales are made within a radius of 50 miles of the market.

This report describes the organization and operation of these markets, including the buying, selling, and operating practices of wholesalers and chains in both markets, and the changes that have occurred in Minneapolis-St. Paul during the past 30 years. Information on which this report is based was obtained as part of a nationwide study of the organization and operations of wholesale produce markets. The purpose of the study was to describe and appraise the status of wholesale markets and to determine changes that have occurred. The findings should give firms in wholesale and shipping-point markets, farmers, interested citizens, and public agencies a better understanding of forces at work in the marketing system for fresh fruits and vegetables, and provide a basis for making better decisions in adjusting to the changes taking place throughout the structure of marketing.

The basic data for the nationwide study were obtained in 1959 and 1960 by personal interviews with representatives of over 3,000 wholesale firms in 52 markets throughout the United States. Most of the interviews were conducted by personnel of the U.S. Department of Agriculture, but much assistance was generously given by many agricultural experiment stations. The survey in Duluth-Superior was made by the Minnesota Agricultural Experiment Station and in Minneapolis-St. Paul by the Department.

Each market is defined as the standard metropolitan area, or, where such an area has not been defined, the county concerned. The areas included in the markets discussed in this report are:

Minneapolis-St. Paul -- Anoka, Dakota, Hennepin, Ramsey, and Washington Counties, Minn.

Duluth-Superior -- St. Louis County, Minn. and Douglas County, Wis.

All firms in both markets were classified as to type, commodity specialization, and volume on the basis of a combination mail-and-telephone survey. All firms in both markets were surveyed.

Markets Areas

Three jobbing markets are in the Twin Cities--the Central Market and the Rock Island Terminal in Minneapolis and the jobbing market in St. Paul. None of these areas predominates as the primary jobbing market. Each physically handled about the same volume of produce during 1958 (table 1). More of the brokers and agencies are located near the 2 Minneapolis jobbing markets, but location is a less important consideration for these firms since they do not physically handle the product and most of their business is conducted by telephone. In addition to the 3 jobbing markets, there is a municipally owned farmers' market in Minneapolis and another in St. Paul. Most fresh fruits and vegetables are received at these 5 points or at chain, voluntary, or cooperative warehouses at various locations in the metropolitan area.

Minneapolis Central Market Area

The first organized public market in Minneapolis, known as Gale Market, was established in 1876. This was a combination farmers' market and wholesale-retail market. The retail part occupied the first floor of a building at First Street North between Hennepin and First Avenue North and farmers parked their wagons along the street.

The market soon became too large for this location and in 1894 the Minneapolis Central City Market Co., Inc., was organized and the market was moved to its present location in the general area of Sixth Street North between Second and Third Avenues North. A market building was located along one side of the farmers' market, the second floor served as retail market, and the first floor was occupied by wholesale firms. This building burned 2 years after it was occupied and it was not rebuilt. The retail portion of the market was discontinued and the wholesalers occupied other buildings in the area. Open sheds were constructed and the farmers' market continued to function at that location until 1937, when the Municipal Farmers' Market was constructed on Lyndale Avenue, about 8 blocks west of the Central Market.

After the removal of the farmers' market the wholesalers continued to operate in the Central Market. In 1958, the 10 wholesale handlers with stores in this area included 1 receiver-jobber, 1 service wholesaler, 2 jobbers, 2 jobbers (delivery), and 4 purveyors. These firms in 1958 sold 3,100 carlots of produce, most of which was handled through their stores.

There is a railroad team track adjacent to the market, between Third and Fifth Avenues North, but there is no warmhouse for unloading produce during inclement weather. Some handlers have track sidings to their stores. Trucks are unloaded in the street in front of the stores.

Eleven brokers and agents maintain offices adjacent to the Central Market and in the downtown area near the market. These firms sold 10,100 carlots of produce during 1958.

Rock Island Terminal

During the 1930's many firms became dissatisfied with the antiquated equipment and buildings in the Central Market and began negotiations with several railroads

Table 1.--Number of firms and volume sold, by market area and type of firm, Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	Minneapolis jobbing markets 1/				Hopkins area 2/				St. Paul jobbing market				Other areas			
	Firms		Volume		Firms		Volume		Firms		Volume		Firms		Volume	
	Total		Large 2/		Total		Large 2/		Total		Large 2/		Total		Large 2/	
	Number	Number	Carlots	Carlots	Number	Number	Carlots	Carlots	Number	Number	Carlots	Carlots	Number	Number	Carlots	Carlots
Receiver.....	1	1	4/	--	--	--	--	--	1	--	--	--	--	--	--	--
Receiver-jobber.....	3	3	2,282	--	--	--	--	--	2	1	1,607	--	2	--	--	--
Service wholesaler.....	1	1	4/	--	--	--	--	--	1	1	4/	4/	1	--	--	932
Service jobber.....	--	--	--	--	--	--	--	--	1	--	--	4/	--	--	--	--
Jobber.....	3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Jobber (delivery).....	3	--	563	--	--	--	--	--	3	--	731	--	2	--	--	--
Truck jobber.....	--	--	--	--	--	--	--	--	--	--	--	--	6	--	4/	278
Purveyor.....	4	--	423	--	--	--	--	--	1	--	223	--	2	--	--	224
Prepackager, repacker....	--	--	--	--	--	--	--	--	3	--	--	--	1	--	--	4/
Merchant trucker.....	--	--	--	--	--	--	--	--	1	--	--	4/	1	--	--	4/
Itinerant trucker.....	--	--	--	--	--	--	--	--	1	--	--	4/	1	--	--	4/
Mixed load shipper.....	1	1	4/	--	--	--	--	--	--	--	--	--	--	--	--	--
Selling broker.....	7	5	4,750	--	3	2	4/	4/	1	1	4/	4/	1	1	4/	4/
Carlot distributor.....	--	--	--	--	--	--	--	--	1	--	--	--	--	--	--	--
Distributor.....	2	1	--	--	1	1	4/	4/	--	--	--	--	1	--	--	4/
Cooperative sales agency:	1	1	5,325	--	--	--	--	--	--	--	--	--	--	--	--	--
Importers sales agency:	1	1	--	--	1	--	--	4/	--	--	--	--	--	--	--	--
Chain.....	1	--	4/	--	2	2	--	--	--	--	--	--	7	1	1,500	--
Voluntary, retailer	--	--	--	--	1	--	--	5,461	--	--	--	--	2	2	4/	--
cooperative.....	--	--	--	--	1	1	--	--	--	--	--	--	--	--	--	--
Total.....	28	14	17,044	8	8	6	8,571	15	3	3	4,173	27	3	3	6,101	--

1/ Includes the Central Market and Rock Island Terminal areas.
2/ Includes broker and agency offices along Excelsior Avenue between Minneapolis and Hopkins.
3/ Large firms are those selling 500 carlots or more per year.
4/ Withheld to avoid disclosure of individual operations.

for improved facilities. Six firms eventually accepted an offer by the Rock Island Railroad to provide new facilities specifically designed for handling fresh fruits and vegetables. In 1939 the railroad rebuilt and modernized a freight house, located between Fourth and Fifth Streets South and Chicago and 10th Avenues South, and extended the building to provide a covered unloading area. This is the only facility in the 3 jobbing markets where produce can be unloaded directly from rail cars into the stores within the protection of a warehouse.

Seven firms were located in the Rock Island Terminal building in 1958. ^{1/} These consisted of 1 receiver, 2 receiver-jobbers, 1 jobber, 1 jobber (delivery), 1 mixed load shipper, and 1 local chain. These firms handled 3,500 carlots of fruits and vegetables during 1958.

During the winter the Rock Island warehouse facilities are used by many firms who do not have stores in the terminal building. These firms include wholesale handlers from both Minneapolis and St. Paul. A second warehouse owned by the Milwaukee Railroad at Second Street South and Ninth Avenue South is also used for unloading produce but none of the handlers have stores at that location.

Hopkins Area

The Hopkins area has modern chain and voluntary warehouses and broker and agency offices. Three warehouses and 5 broker and agency offices in 1958 were located along Excelsior Avenue between Minneapolis and the town of Hopkins. The 2 regional chains and 1 voluntary group handled 5,500 carlots of produce during 1958. The 3 selling brokers, 1 distributor, and 1 importer's sales agency sold 3,100 carlots.

St. Paul Jobbing Market

The St. Paul public market place was established by ordinance in 1869. In 1879 the State legislature authorized the erection of a public market building, which was completed in 1881. This market was of the enclosed type and was located at Seventh and Wabasha Streets. The market did not afford the facilities required by farmers and the center of market activity soon shifted to the open street at West Third near St. Peter Street. In 1901 the city council adopted an ordinance establishing the Central Public Market of the City of St. Paul at the present location of 10th and Jackson Streets. This market opened in 1902.

The St. Paul jobbing market is adjacent to the farmers' market. Most firms are in the area bounded by Jackson, 9th, 12th, and Robert streets. The 13 wholesale handlers, 1 selling broker, and 1 carlot distributor in this market in 1958 sold 4,200 carlots of produce.

Only 2 of the 13 wholesale handlers in 1958 had track sidings to their store facilities. Consequently, all rail receipts for the other 11 stores were carted 1-1 1/2 miles from St. Paul team tracks or 10-12 miles from Minneapolis team tracks. There are 2 warehouses in St. Paul, at the Rock Island team tracks and at the Milwaukee team tracks, but little use was made of these facilities.

^{1/} Five operating units, but 7 firms as defined in this study (see appendix).

Structure of the Market

Number and Size of Firms

The Minneapolis-St. Paul produce market consisted of 78 firms of 22 types in 1958 (table 2). The types with the largest number of firms were selling brokers, jobbers (delivery), receiver-jobbers, and purveyors. The most important types in terms of volume sold were selling brokers, regional chains, receiver-jobbers, and importer's sales agencies. No other type of firm sold as much as 10 percent of the market total.

The 45 wholesale handlers as a group in 1958 sold 33 percent of the market total, which includes resales among wholesalers and sales to retail organizations. The wholesale handlers were heavily concentrated in the small size group: 30 firms sold less than 200 carlots per firm; 7 firms were in the medium size group; only 8 firms sold 500 or more carlots. However, these 8 large firms sold 61 percent of the group total, while the 30 small firms sold only 17 percent.

The 20 brokers and agencies sold 42 percent and the 13 retail organizations 25 percent of the market total. In contrast to the wholesale handlers, both of these groups were heavily concentrated in the large size category: 13 large brokers and agencies sold 89 percent of the broker and agency volume and 6 large retail organizations handled 85 percent of the retailing volume.

For all the market the 27 large firms sold 79 percent of the total volume, the 15 medium firms sold 14 percent, and the 36 small firms sold only 7 percent. The small firms consisted primarily of purveyors, jobbers (delivery), truck jobbers, and prepackagers.

Firms buying directly from shipping point tend to specialize more than firms buying in the local market. Also, firms catering to retail and institutional outlets are more likely to carry a general line of produce than firms selling to other wholesalers. Although there is much specialization in the Twin Cities, most of the wholesale handlers carry a general line of produce (table 3). This large proportion of general-line firms reflects the relatively large number of secondary handlers (73 percent of wholesale handlers). The specialized firms are primarily receivers and brokers and agents.

Interfirm Relationships

The relationships for retail organizations are presented in the definitions of firm types (see appendix). In addition, 8 wholesalers in Minneapolis-St. Paul owned or controlled -- either through the firm itself or through the principals of the firm -- a total of 8 other firms in the market. Five of these 8 operations were not separate legal entities, but were dissimilar operations within the same organization. These relationships were:

- Local chain and Jobber
- Jobber and Mixed load shipper
- Jobber and Merchant trucker
- Service jobber and Merchant trucker
- Receiver and Carlot distributor

In the 3 other organizations the principals were common to 2 separate legal entities. These relationships were:

Table 3.--Number of firms by size and type, and volume sold by type of firm, Minneapolis-St. Paul wholesale produce market, 1934

Type of firm	All firms									
	Number	Volume handled 1/			Distribution of firms by size 2/					Percentage of volume handled 3/
		Quantity	Percentage of total	market	Small	Medium	Large	Small firms	Medium firms	Large firms
	Firms	Carlots	Percent		Number	Number	Number	Percent	Percent	Percent
Receiver.....	2 }	5,083	14	{	1	1	1	--	32	63
Receiver-jobber.....	7 }			{	1	2	4	1	22	77
Service wholesaler.....	3 }	3,151	9	{	--	1	2	--	3/	1/
Service jobber.....	1 }	395	1	{	1	--	--	100	--	--
Jobber.....	3 }			{	2	1	--	20	80	--
Jobber (delivery).....	8 }	1,151	3	{	6	2	--	52	48	--
Truck jobber.....	6 }	278	1	{	6	--	--	100	--	--
Purveyor.....	7 }	569	2	{	7	--	--	100	--	--
Prepackager, repacker.....	4 }	301	1	{	4	--	--	100	--	--
Merchant trucker.....	1 }			{	1	--	--	100	--	--
Itinerant trucker.....	2 }	916	3	{	2	--	--	100	--	--
Mixed load shipper.....	1 }			{	--	--	1	--	--	100
Wholesale handlers.....	45	11,844	33		30	7	8	17	22	61
Selling broker.....	12	7,542	21		3	1	8	4	3	93
Distributor.....	4 }			{	--	2	2	--	30	70
Carlot distributor.....	1 }	2,691	7	{	--	--	1	--	--	100
Cooperative sales agency.....	1 }			{	--	--	1	--	--	100
Importer's sales agency.....	2 }	4,686	13	{	--	1	1	--	14	86
Brokers and agencies.....	20	14,919	42		3	4	13	2	9	89
Total wholesalers.....	65	26,763	75		33	11	21	9	14	77
Regional chain.....	2 }	4,426	12	{	--	--	2	--	--	100
Local chain with warehouse.....	1 }			{	--	1	--	--	100	--
Local chain without warehouse.....	7 }	1,500	4	{	3	3	1	17	3/	2/
Voluntary group.....	2 }			{	--	--	2	--	--	100
Retailer cooperative.....	1 }	3,200	9	{	--	--	1	--	--	100
Total, retail organizations.....	13	9,126	25		3	4	6	3	12	85
Grand total.....	78	35,889	100		36	15	27	7	14	79

1/ Includes resales among wholesalers and sales to retail organizations.

2/ Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

3/ Withheld to avoid disclosure of individual operations.

Table 3.--Degree of commodity specialization, Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	Firms handling complete line of produce			Firms specializing in --					
	No specialization	Some specialization	Several commodity classes	One class of commodities	A single commodity	Several commodities of different classes	Percent	Percent	Percent
Receiver.....	50	--	--	--	50	--	--	--	--
Receiver-jobber.....	58	--	14	14	14	--	--	--	--
Service wholesaler.....	100	--	--	--	--	--	--	--	--
Service jobber.....	100	--	--	--	--	--	--	--	--
Jobber.....	33	--	--	--	33	--	--	33	--
Jobber (delivery).....	76	--	--	--	12	--	--	12	--
Truck jobber.....	100	--	--	--	--	--	--	--	--
Purveyor.....	72	--	14	--	--	--	--	14	--
Prepackager, repacker.....	25	--	--	25	25	--	--	25	--
Merchant trucker.....	100	--	--	--	--	--	--	--	--
Itinerant trucker.....	--	--	--	--	100	--	--	--	--
Mixed load shipper.....	100	--	--	--	--	--	--	--	--
Selling broker.....	42	8	8	17	25	--	--	25	--
Distributor.....	50	--	--	25	25	--	--	--	--
Carlot distributor.....	--	--	--	--	100	--	--	--	--
Cooperative sales agency.....	--	--	--	100	--	--	--	--	--
Importers sales agency.....	--	--	--	--	100	--	--	--	--
Total wholesalers.....	56	2	5	9	22	6			

Broker and Broker
Service wholesaler and Receiver-jobber
Broker and Retail produce stand

In addition to operations owned or controlled by other Minneapolis-St. Paul firms, 6 firms in the market were local units of multi-unit organizations that had outlets in other cities. These consisted of 1 service wholesaler, 2 brokers, 1 cooperative sales agency, and 2 importer's sales agencies.

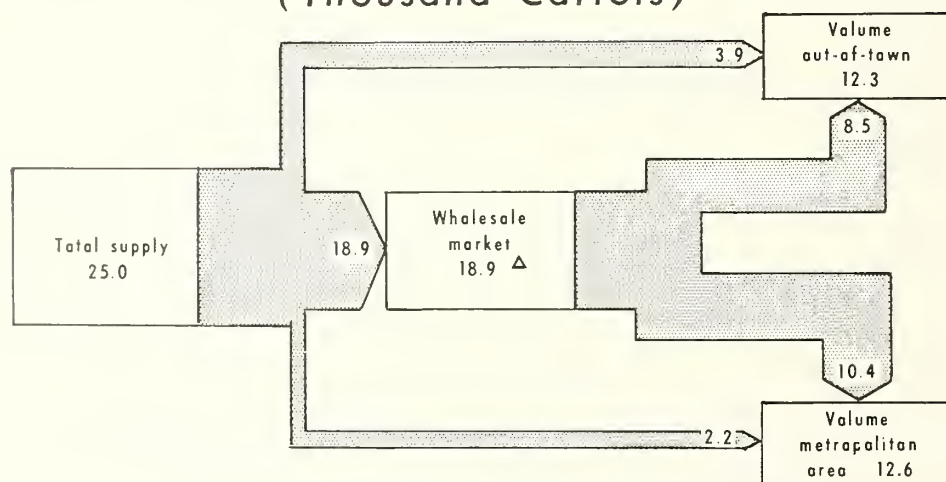
The 8 operations which included the 15 interrelated wholesalers (excluding the retail fruit stand) sold 17 percent of the total market volume, and the 6 units of multi-unit organizations sold 25 percent.

Marketing Channels

The Minneapolis-St. Paul produce market supplies over 2,000 retail grocery stores, specialty stores, restaurants, institutions, and processors in the metropolitan area, plus hundreds of wholesalers, chains, and retailers throughout the upper Midwest. About one-half of the total supply of produce in 1958 was consumed in the metropolitan area and one-half was distributed to out-of-town points.

Marketing channels in the Twin Cities, as in any large market, are quite complex. Figure 1 shows a simplified flow of produce into and through the market, but does not reflect transactions within the market. The total supply of produce to the market in 1958 was 25,000 carlots. However, only 18,900 carlots were actually received by

FLOW OF INITIAL SUPPLY, MINNEAPOLIS-ST. PAUL WHOLESALE PRODUCE MARKET, 1958 (Thousand Carlots)



Δ INCLUDES DIRECT RECEIPTS BY RETAIL ORGANIZATIONS.

U.S. DEPARTMENT OF AGRICULTURE

NEG. ERS 2563-63 (12)

ECONOMIC RESEARCH SERVICE

Figure 1

wholesalers and retail organizations. A total of 3,900 carlots, owned or controlled by Minneapolis-St. Paul firms, bypassed the market and went directly to customers in other cities and towns. Another 2,200 carlots went directly to individual retail outlets, institutions, restaurants, and processors in Minneapolis-St. Paul, but were not handled by wholesalers or integrated retail organizations in the market.

Of the 18,900 carlots that went to wholesalers and retail organizations in the market, 10,400 carlots were consumed in the metropolitan area and 8,500 were shipped to out-of-town destinations. Of these 8,500 carlots, destined to out-of-town points, 2,600 were shipped by wholesalers and 5,800 were distributed by retail organizations.

Figure 2 and tables 4 through 7 illustrate the movement of produce through the major marketing channels. Specific lots of produce may be sold once or many times before reaching the retail level. The initial supply of 22,800 carlots, including bypass, sold by wholesalers or handled by retail organizations represented 35,900 carlot transactions by the time the produce reached the retail level or had been distributed to out-of-town customers.

Eighty-six percent of the total percent of the total supply to the market was purchased directly from shipping point or port of entry; less than 0.5 percent was bought from wholesale handlers in other markets. Two percent was purchased through brokers and agencies in other markets, and 12 percent from local growers (table 4). (For the distinction between direct purchases and direct receipts see appendix.) Only 46 percent of the volume handled by retail organizations was in direct purchases, but 81 percent was indirect receipts. Direct purchases by brokers and agencies accounted for 59 percent of the total supply. Retail organizations accounted for 17 percent and wholesale handlers 15 percent. Retailers, institutions, and processors accounted for 9 percent.

Receivers and commission merchants have traditionally been the primary receivers in large markets. They have purchased some volume through brokers but most of their direct receipts have been direct purchases or consignments from shipping point; and they have sold primarily to jobbers and other secondary handlers. In the Minneapolis-St. Paul market in 1958, however, there were only 2 receivers and no commission merchants. Eight percent of the direct purchases from shipping point were consignments, but all were received by selling brokers and distributors. No volume can be shown for the 2 receivers, but for the group of primary handlers which includes receiver-jobbers and service wholesalers, only 31 percent of its direct receipts was direct purchases and 68 percent was purchased through Minneapolis-St. Paul brokers and agencies. On the other hand, jobbers and other secondary handlers who traditionally purchase from primary handlers purchased 31 percent of their total volume directly from shipping point, 48 percent through brokers and agencies, and only 10 percent from primary handlers.

Wholesaler sales to other wholesalers represented 23 percent of the total sales by firms in the Minneapolis-St. Paul market (table 5). Over 90 percent of these sales were made by brokers and agencies to various types of wholesale handlers. Receivers, receiver-jobbers, and service wholesalers were the major buyers, accounting for 70 percent of the purchases from other wholesalers.

For simplicity of presentation the transfer of produce from chain warehouses to the chain retail stores is designated a "sale". This terminology makes it possible to group chains, voluntaries, and retailer cooperatives together as retail organizations and to balance purchases and sales by retail organizations. Sales by retail organizations to their own stores in the metropolitan area represented 9 percent of total market sales (table 6). Sales by wholesalers to retail organizations accounted

(Thousand Carlots)

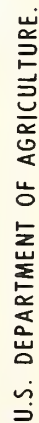


Figure 2

Table 4.--Source of supply, by class of buyer, Minneapolis-St. Paul wholesale produce market, 1958

Class of buyer	Purchases from outside of market						Volume brought into market
	Direct from shipping point or port of entry	From other terminal markets	Through sales agencies or brokers in other cities	From local growers	Total	Volume bypassing market	
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, distributor.....	10.1	--	0.2	--	10.2	1.6	8.6
Sales agency.....	4.7	--	--	--	4.7	1.7	3.0
Trucker, mixed load shipper..	0.2	1/	--	0.2	0.5	--	0.5
Receiver, receiver-jobber, service wholesaler.....	2.1	1/	0.1	0.4	2.6	0.6	2.0
Jobber, service jobber, jobber (delivery).....	0.1	1/	0.1	0.2	0.3	--	0.3
Truck jobber.....	--	--	--	1/	1/	--	1/
Purveyor.....	1/	1/	--	0.1	0.1	--	0.1
Prepackager, repacker.....	0.1	--	--	1/	0.1	--	0.1
Total wholesalers 2/....	17.2	0.1	0.3	0.9	18.6	3.9	14.7
Chain, voluntary, retailer :							
cooperative.....	3.1	--	0.1	1.0	4.2	--	4.2
Retailer, processor, eating place.....	1.2	--	--	1.0	2.2	--	2.2
Grand total.....	21.5	0.1	0.4	2.9	25.0	3.9	21.1

1/ Less than 50 carlots.

2/ Figures may not add to total because of rounding.

Table 5.--Wholesalers' sales to other Minneapolis-St. Paul wholesalers, by class of firm, Minneapolis-St. Paul wholesale produce market, 1958

Class of seller	Type of buyer							
	Broker, distributor	Trucker, mixed load shipper	Receiver, receiver-jobber, service wholesaler	Jobber, service jobber, jobber (delivery)	Truck jobber	Purveyor	Repacker, pre-packager	Total
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, distributor..	<u>1/</u>	0.3	4.3	0.9	<u>1/</u>	0.4	0.1	6.0
Sales agency.....	--	<u>1/</u>	1.3	0.4	--	<u>1/</u>	--	1.6
Trucker, mixed load shipper.....	--	--	--	<u>1/</u>	--	--	--	<u>1/</u>
Receiver, receiver-jobber, service wholesaler.....	--	0.1	0.1	<u>1/</u>	0.2	0.1	<u>1/</u>	0.5
Jobber, service jobber, jobber (delivery).....	--	--	--	<u>1/</u>	--	--	--	<u>1/</u>
Prepackager, repacker	--	<u>1/</u>	--	<u>1/</u>	<u>1/</u>	--	--	<u>1/</u>
Total wholesalers <u>2/</u>	<u>1/</u>	0.4	5.7	1.3	0.2	0.4	0.2	8.2

1/ Less than 50 carlots.

2/ Figures may not add to total because of rounding.

Table 6.--Sales to Minneapolis-St. Paul retail outlets, by class of firm, Minneapolis-St. Paul wholesale produce market, 1958

Class of seller	Type of retail outlet				
	Chain, voluntary, retailer co-operative	Retail store, peddler	Processor, consumer	Eating place, institution, military	Total
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Broker, distributor.....	2.1	--	0.2	--	2.3
Sales agency.....	1.4	--	--	--	1.4
Receiver, receiver-jobber, service wholesaler.....	1.3	3.5	<u>1/</u>	1.4	6.2
Jobber, service jobber, jobber (delivery).....	<u>1/</u>	1.0	--	0.2	1.2
Truck jobber.....	--	0.2	--	--	0.2
Purveyor.....	--	0.1	<u>1/</u>	0.4	0.5
Prepackager, repacker.....	0.1	0.1	--	<u>1/</u>	0.2
Total wholesalers <u>2/</u>	5.0	4.9	0.2	2.0	12.1
Chain, voluntary, retailer co-operative <u>3/</u>	--	3.3	--	--	3.3
Grand total.....	5.0	8.2	0.2	2.0	15.4

1/ Less than 50 carlots.

2/ Figures may not add to total because of rounding.

3/ Transfer from warehouse to retail outlets.

Table 7.--Out-of-town sales and total sales, by class of firm, Minneapolis-St. Paul wholesale produce market, 1958

Class of seller	Type of out-of-town buyer				Total out-of-town sales <u>1</u> / carlots	Total sales in Twin Cities market carlots	Grand total sales carlots
	Wholesaler carlots	Chain, voluntary, retailer cooperative carlots	Retailer carlots	Eating place, institution, military carlots			
Broker, distributor.....	0.3	1.0	--	0.6	1.9	8.4	10.2
Sales agency.....	1.2	0.5	--	--	1.7	3.0	4.7
Trucker, mixed load shipper...	0.3	0.6	--	--	0.9	<u>2</u> / 	0.9
Receiver, receiver-jobber, service wholesaler.....	0.5	1.1	--	--	1.5	6.7	8.2
Jobber, service jobber, jobber (delivery).....	0.2	<u>2</u> / 	<u>2</u> / 0.1	<u>2</u> / <u>2</u> / 	0.3	1.2	1.5
Truck jobber.....	<u>2</u> / <u>2</u> / <u>2</u> / 	--	0.1	--	0.1	0.2	0.3
Purveyor.....	<u>2</u> / <u>2</u> / <u>2</u> / 	--	--	--	<u>2</u> / <u>2</u> / 	0.5	0.6
Prepackager, repacker.....	<u>2</u> / <u>2</u> / <u>2</u> / 	<u>2</u> / <u>2</u> / <u>2</u> / 	--	--	<u>2</u> / <u>2</u> / 	0.3	0.3
Total wholesalers.....	2.5	3.2	0.1	0.6	6.5	20.3	26.8
Chain, voluntary, retailer cooperative <u>2</u> /.....	--	--	5.8	--	5.8	3.3	9.1
Grand total.....	2.5	3.2	5.9	0.6	12.3	23.6	35.9

1/ Includes volume which bypassed the Minneapolis-St. Paul market. See table 5.

2/ Less than 50 carlots.

2/ Transfer from warehouse to out-of-town retail outlets.

for 14 percent, and sales by wholesalers to retail stores, restaurants, institutions, and processors in the metropolitan area accounted for 20 percent.

The volume of produce that went to out-of-town customers represented 49 percent of the total supply to the market but only 34 percent of total sales by firms in the market (table 7). This difference is due to the fact that an out-of-town sale represents only one transaction, but produce within the market is often sold more than once. Sales by wholesalers accounted for 53 percent of out-of-town sales and retail organizations accounted for the remainder. Almost half of the wholesalers' out-of-town sales went to retail organizations.

Buying Methods

Four methods of obtaining supplies accounted for 97 percent of the volume purchased directly from shipping point (table 8). Broker or agent purchases were most important, accounting for 47 percent of direct purchases; purchases by telephone or wire accounted for 29 percent. About 13 percent was made by firms' own salaried buyers at shipping point and 8 percent was consigned to the market by growers and shippers. No other method of purchase accounted for more than 1 percent of the direct purchases.

Brokers and distributors accounted for all of the volume handled on a brokerage basis, on consignment, and in joint accounts with growers or shippers. Most direct purchases by wholesale handlers and retail organizations were either f.o.b. shipping point basis or delivered basis. Eleven firms buying 3,100 carlots directly from shipping point reported that most of their purchases were f.o.b. shipping point. On the other hand, 3 firms buying 1,100 carlots directly made most of their purchases on a delivered basis. A few purchases by salaried buyers at shipping point were either cash track or f.o.b. inspection and acceptance final.

Functions and Services

Many of the functions that were performed by firms in the Minneapolis-St. Paul wholesale market are implicit in definitions presented in the appendix. Other functions were performed and services provided on the decision of management. Thus, some firms delivered; others did not. Some firms hauled a portion of their receipts from rail sidings and team tracks to their stores. Others did not have a store and made all their sales from their trucks. Some firms provided merchandising services and credit terms; others did not.

Thirty-seven of the 45 wholesale handlers had store or warehouse facilities for handling and storing produce. By definition, the 6 truck-jobbers and 2 itinerant truckers did not have store facilities, but the truck-jobbers had storage areas -- usually at their residences -- sufficient to hold small amounts of produce from one day to the next.

Eleven of the wholesale handlers had rail sidings at their stores and unloaded rail receipts directly from the sidings. About 2,600 carlots -- 30 percent of rail unloads -- were hauled from rail sidings or team tracks to wholesalers' stores before being sold. Another 1,200 carlots were sold or delivered directly from rail cars to the customers. Practically all of the truck receipts were unloaded at the wholesalers' stores, but 3 firms reported that they often arranged for initial truckers to make direct deliveries to customers.

Table 8.--Percentage distribution of shipping-point purchases by method of purchase, by type of firm,
Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	Consignment		On joint account with shipper		Direct, by phone or wire		Through shipping point buying broker		Through shipping point selling broker		Through own salaried buyer		As broker or agent		Other methods		Total	
	Percent		Percent		Percent		Percent		Percent		Percent		Percent		Percent		Percent	
Receiver, receiver-jobber.....	--		--		87		9		--		3		--		1		100	
Service wholesaler.....	--		--		2		--		--		98		--		--		100	
Jobber.....	--		--		79		21		--		--		--		--		100	
Jobber (delivery).....	--		--		24		12		55		--		--		10		100	
Purveyor.....	--		--		--		--		100		--		--		--		100	
Prepackager, repacker.....	--		--		100		--		--		--		--		--		100	
Trucker, mixed load shipper.....	--		--		39		--		--		--		--		61		100	
Wholesale handlers.....	--		--		44		4		1		45		--		6		100	
Selling broker.....	8		1		8		--		--		--		83		--		100	
Distributor, carlot distributor.....	25		--		51		--		--		3		21		--		100	
Cooperative sales agency.....	--		--		--		--		--		--		100		--		100	
Brokers and agencies 2/.....	11		1		17		--		--		1		70		--		100	
Total wholesalers.....	9		1		22		1		1/		8		58		1		100	
Chain, voluntary, retailer cooperative.....	--		--		60		3		4		33		--		--		100	
Grand total.....	8		1		29		1		1		13		47		1		100	

1/ Less than 0.5 percent.

2/ Excludes importer's sales agencies.

Most wholesalers deal with regular customers who buy from them fairly consistently from week to week. Sales to regular customers were reported as follows:

<u>Type of firm</u>	<u>Sales to regular customers</u> <u>(Percentage of all sales)</u>
Receiver, receiver-jobber	85
Service wholesaler	88
Jobber, service jobber	95
Jobber (delivery)	92
Truck jobber	97
Purveyor	79
Prepackager, repacker	97
Trucker, mixed load shipper	98
Selling broker	94
Distributor, carlot distributor	87
Sales agency	<u>89</u>
Total	89

About 10,000 carlots in 1958 were delivered by the wholesale handlers to buyers. This was 88 percent of the sales of all wholesale handlers and 89 percent of the sales of those firms providing delivery service (table 9). Only one jobber reported that he provided no delivery service. This is a much higher proportion of delivery service than reported in most other cities and illustrates a major function performed by wholesale handlers in the Twin Cities. Wholesale handlers' own or leased trucks accounted for 97 percent of deliveries; hired trucks accounted for 3 percent.

Unlike most other markets, brokers and agencies in Minneapolis-St. Paul sold much of their volume in less-than-carload lots and arranged for delivery if requested by customers. This was accomplished through local checking and cartage firms, which check carlots or trucklots on arrival, supervise unloading operations, and arrange for delivery to customers if desired.

There is a relatively small volume of specialized prepackaging in the Minneapolis-St. Paul market. Twenty-two firms in 1958 did some prepackaging but only 4 small firms were specialized prepackagers (table 10). About 1,500 carlots of produce were prepackaged; 6 receiver-jobbers prepackaged nearly half this volume. Ten firms prepackaged only 1 commodity and 12 firms prepackaged 2 or more. Commodities prepackaged in the largest volume were tomatoes (14 firms), potatoes (12 firms), and onions (10 firms). Three of the specialized firms prepackaged onions, or potatoes and onions, and 1 firm repacked tomatoes and brussels sprouts.

The 3 service wholesalers and 1 service jobber (by definition in appendix) offered 2 or more merchandising services to their retail customers. These firms suggested retail selling prices, suggested items for weekend specials, and guaranteed prices on specials so that retailers could advertise without fear of a cost-price squeeze. They offered merchandising assistance, such as advice on advertising and displays, and 2 of the service wholesalers assisted in training retail produce personnel. Twelve other wholesalers offered only one service to retail customers; 9 guaranteed prices on weekend specials and 3 suggested retail selling prices.

Most wholesale handlers offered credit to their customers (table 11). The most common credit terms were weekly billings to retail customers and monthly billings to institutional customers. Twenty-eight firms offered credit for a week to retail

Table 9.--Extent of delivery service by Minneapolis-St. Paul
wholesale produce handlers, 1958

Type of firm	Percentage of firms providing delivery service	Volume delivered as per- centage of sales of --		Percentage of deliveries by --	
		All firms of this type	Firms making some de- liveries	Firms' trucks	Hired trucks
	Percent	Percent	Percent	Percent	Percent
Receiver, receiver-jobber..	100	85	85	93	7
Service wholesaler.....	100	96	96	100	--
Jobber, service jobber....	75	18	21	92	8
Jobber (delivery).....	100	89	89	100	--
Truck jobber.....	100	100	100	100	--
Purveyor.....	100	94	94	100	--
Prepackager, repacker.....	100	98	98	100	--
Trucker, mixed load shipper.....	100	100	100	100	--
Wholesale handlers.....	98	88	89	97	3

Table 10.--Number and volume of items prepackaged or repacked, by type of firm,
Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	Firms prepackaging or repacking --				Total	Volume prepackaged or repacked
	One item	Two items	Three items	Four items		
	Firms	Firms	Firms	Firms	Firms	Carlots
Receiver.....	--	1	--	--	1 }	142
Service wholesaler.....	--	1	1	--	2 }	
Receiver-jobber.....	2	2	2	--	6	690
Jobber.....	1	--	--	--	1 }	42
Jobber (delivery).....	2	--	--	--	2 }	
Purveyor.....	1	--	--	1	2 }	74
Mixed load shipper.....	1	--	--	--	1 }	
Prepackager, repacker...	2	1	--	1	4	200
Wholesale handlers....	9	5	3	2	19	1,148
Chain, retailer cooperative.....	1	--	--	2	3	307
Grand total.....	10	5	3	4	22	1,455

customers, 8 firms offered for less than a week or offered no credit, and 6 firms offered credit for more than a week. Twenty-three of these firms also allowed 30-day credit to institutional customers,

Table 11.--Number of firms offering credit for specified periods to noninstitutional buyers, by type of firm, Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	Number of days' credit offered--						Total
	None	Three to six	Seven	Ten	Fourteen	Fifteen or more	
	Firms	Firms	Firms	Firms	Firms	Firms	Firms
Receiver, receiver-jobber..	2	--	5	1	1	--	9
Service wholesaler.....	--	--	1	--	1	1	3
Jobber, service jobber....	1	1	1	--	--	--	3
Jobber (delivery).....	--	--	8	--	--	--	8
Truck jobber.....	2	1	3	--	--	--	6
Purveyor.....	1	--	6	--	--	--	7
Prepackager, repacker.....	--	--	2	1	--	1	4
Trucker, mixed load shipper	--	--	2	--	--	--	2
Wholesale handlers.....	6	2	28	2	2	2	42

Only 4 wholesalers in the market provided financial assistance to growers or shippers. This assistance was in the form of partial advance payments on shipments or advances on harvesting costs. None of the firms provided financial assistance for the production of crops.

Costs and Margins

Marketing margins varied widely among types of firms, depending chiefly on the number and cost of functions performed. Firms that physically handled the merchandise and made deliveries had higher costs and margins than firms such as brokers, who perform none of these functions. Gross margins for wholesale handlers as a group were 14.0 percent of sales compared with only 3.8 percent for brokers and distributors (table 12). Although separate data cannot be shown for the 2 receivers, they had the lowest margins of the wholesale handlers and purveyors had the highest. The receivers made their purchases in full carlots or trucklots and, although they physically handled the merchandise and deliveries, they usually sold in large lots to their customers. Purveyors, on the other hand, had salesmen solicit business and book relatively small orders. Purveyors often examined the merchandise before purchasing and bought relatively small quantities to fill special orders of hotels and large restaurants. Purveyors delivered almost all their sales, and broke down lots into the small quantities (in some instances to less than shipping containers) often needed by small eating places and institutions. Total operating costs of purveyors were over 19 percent of sales compared with less than 10 percent for receivers.

Salaries and wages accounted for most of the costs of wholesaling fresh fruits and vegetables, ranging from 51 percent of costs for prepackagers to 72 percent for purveyors. The 65 wholesalers had a total of 525 employees, including 91 active officers, partners, and proprietors (table 13). Twelve of the 65 firms were owner operated and had no paid employees; most of these were small jobbers, brokers, and distributors. Large wholesalers (handling over 500 carlots) accounted for 77 percent of the volume sold by wholesalers but had only 60 percent of the personnel.

Table 12.--Marketing costs and margins, by type of firm, Minneapolis-St. Paul wholesale produce market, 1958

Item	2 Receivers, 3 service- wholesalers	7 Receiver- jobbers	8 Jobbers (delivery)	7 Purveyors	4 Pre- packagers	Total 31 wholesale handlers	12 Selling brokers	4 Distri- butors	Total 16 brokers, distributors
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Sales.....	7,740.4	6,106.9	2,577.7	1,430.1	482.1	18,337.2	13,977.9	6,491.0	20,468.9
Delivered cost of goods sold:	6,810.6	5,173.7	2,255.9	1,129.4	397.9	15,767.4	13,433.0	6,267.2	19,700.2
Gross margin.....	929.9	933.2	322.0	300.7	84.2	2,570.0	544.9	223.7	768.6
Percentage of sales.....	12.0	15.3	12.5	21.0	17.5	14.0	3.9	3.4	3.8
Salaries and wages:									
Owners, officers, and									
partners.....	58.7	66.1	35.3	79.2	8.8	248.1	133.5	76.5	210.0
Other salaries and wages.....	435.1	478.4	156.2	116.2	20.1	1,206.0	189.2	69.1	258.3
Other costs of operation.....	255.6	343.8	92.5	77.0	27.8	796.7	252.6	103.1	355.7
Total costs of operation.....	749.4	888.4	284.0	272.5	56.7	2,251.0	575.3	248.7	824.0
Percentage of sales.....	9.7	14.5	11.0	19.1	11.8	12.3	4.1	3.8	4.0
Net income before taxes.....	180.4	44.8	38.0	28.3	27.6	319.1	-30.4	-25.0	-55.4
Percentage of sales.....	2.3	0.7	1.5	2.0	5.7	1.7	-0.2	-0.4	-0.3

Table 13.--Number of employees, by type and size of firm,
Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	All sizes		Size of firm, by annual volume of sales		
			Less than 200 carlots	200 to 499 carlots	500 or more carlots
	<u>Firms</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>	<u>Employees</u>
Receiver, receiver-jobber..	9	195	2	29	164
Service wholesaler.....	3	79	--	19	60
Jobber, service jobber.....	4	11	5	6	--
Jobber (delivery).....	8	55	34	21	--
Truck jobber.....	6	15	15	--	--
Purveyor.....	7	42	42	--	--
Prepackager, repacker.....	4	19	19	--	--
Trucker, mixed load shipper:	4	49	7	--	42
Wholesale handlers.....	45	465	124	75	266
Selling broker.....	12	42	7	1	34
Distributor, carlot distributor.....	5	12	--	4	8
Cooperative sales agency, importer sales agency.....	3	6	--	1	5
Brokers and agencies.....	20	60	7	6	47
Total wholesalers.....	65	525	131	81	313
Chain, voluntary, retailer cooperative <u>1</u> /...	6	200	--	6	194
Grand total.....	71	725	131	87	507

1/ Does not include 7 local chains without warehouses.

The firms were asked how they established selling prices. Twenty-five of the wholesale handlers indicated that they sought a target margin or markup and 20 stated that they "followed the market" or set prices according to "supply and demand". Eighteen firms who sought a target quoted in terms of a percentage of sale price, and 7 quoted in cents per package. Target percentages ranged from 8 to 20 percent of sale price (table 14).

All the wholesale handlers that quoted markups in cents per package gave examples for specific commodities. Markups were 50-75 cents per hundredweight for potatoes and 50 cents to \$1.00 per 50-pound sack of onions. For other items markups were generally based on the value of the commodity and size of the package. Markups ranged from 25 cents to 50 cents per package for smaller packages such as half-crates of citrus and cartons of apples and lettuce; they ranged from 40 cents to \$1.00 for larger packages such as crates of citrus, lettuce, and celery, and boxes of apples and pears.

One broker quoted his brokerage rate as a percentage of sale price, 3 brokers quoted in dollars per carlot, and 8 brokers quoted in cents per package. The carlot

Table 14.--Target margins of wholesalers, Minneapolis-St. Paul wholesale produce market, 1958

Class of firm	Average target margin of firms : quoting in terms of --		Percentage of firms quoting a target margin
	Percentage of	Cents per	
	sales price	package	
	Percent	Percent	Percent
Receiver, service wholesaler...	10.7	42.0	60
Receiver-jobber.....	13.6	--	71
Jobber, service jobber.....	12.9	51.4	50
Jobber (delivery).....	14.8	61.3	50
Truck jobber.....	12.4	50.0	83
Purveyor.....	16.1	--	29
Prepackager, repacker.....	15.9	--	50

quotations ranged from \$40 to \$50 per carlot. The quotations in cents per package were 10 cents per 100-pound sack of potatoes and 50-pound sack of onions. Rates for other commodities were based on the size of package and ranged from 2.5 cents to 7.5 cents for smaller packages and 5 cents to 15 cents for larger packages.

Structure of the Retail Market

There were 2,161 retail food stores with total sales of \$407.1 million in the Minneapolis-St. Paul metropolitan area in 1958. Grocery stores, including delicatessens, numbered 1,485 and had sales of \$355.6 million. The remaining 676 stores were specialty food stores, including 60 fruit and vegetable stores with sales of \$3.7 million.

Over 1,800 of the food stores or 85 percent were single-unit firms, but these accounted for only 54 percent of food store sales. Chainstores-- organizations of 2 or more stores-- owned only 15 percent of the food stores but accounted for 46 percent of food store sales. Small chains-- from 2 to 10 stores-- had 6 percent of the stores and 12 percent of sales. The large chains of 11 or more stores had 9 percent of the stores and 34 percent of sales.

There were 5 chains (2 regional and 3 local) with 11 or more stores each. One of these regional chains serviced a large number of "agency stores" in addition to those owned by the company. The regional chains and 1 local chain had produce warehouses and made direct purchases at shipping point. Two of the local chains did not have a produce warehouse but had central buyers who purchased in the local market for delivery to individual stores. The chains that had produce warehouses serviced 323 stores, only 128 of which were in the metropolitan area. The local chains without warehouses had 40 stores, with 19 in the metropolitan area.

Five local chains had from 4 to 10 stores each; none had a produce warehouse but purchased all their produce in the local market. These chains had 38 stores, 22 of which were in the metropolitan area.

There were 2 voluntary groups and 1 retailer cooperative that had produce warehouses and made direct purchases at shipping point. They had 682 member stores

but did not provide fruits and vegetables to all stores. Only 89 member stores were in the metropolitan area.

Three Decades of Change in the Market

The character of the Minneapolis-St. Paul market has changed completely since the 1920's. It has changed from primarily a concentration and diversion market to primarily a receiving market. In 1923 only 25 percent of the carlot receipts of 11 principal commodities were unloaded in the market. The market was a diversion point for apples from California and the Pacific Northwest, with 80 percent of the apple receipts diverted in 1923. The market was also a concentration and shipping point for potatoes produced in Minnesota, North Dakota, and Montana. In 1923 about 88 percent of the potato receipts were diverted to other markets.

In 1958 only a very small volume of fruits and vegetables was diverted from the market. About 45 percent of total receipts left the market, but this portion was primarily truck shipments to wholesalers and retailers in the area serviced by firms in the Twin Cities market.

Fruit auction companies operated in the market at various times between 1885 and 1946. From the late 1920's until World War II there was an auction in Minneapolis and one in St. Paul, but both closed during the period of wartime price controls. The Minneapolis auction reopened for a short period after the war but the number of active buyers was insufficient to justify its continuation. Deciduous fruits were the only commodities sold at either auction and in 1936 both auctions handled a combined total of 752 carlots. The auction companies did not encourage direct shipments, so most sales through the auctions were made by receivers and shippers' representatives in the market.

The decline in nearby potato production had a strong impact on the number and type of firms in the market. Potato production in the 11 counties including and surrounding the Twin Cities changed very little between 1924 and 1934.^{2/} Growers in these counties in 1924 and in 1934 harvested about 65,000 acres of potatoes each year. From 1934 to 1949, however, production declined sharply, and by 1959 only 6,066 acres of potatoes were harvested. This decline was accompanied by a decrease in the number of firms in the Minneapolis-St. Paul market. In 1926 there were 24 shippers whose primary business was buying and shipping potatoes from nearby areas. They also shipped other nearby vegetables such as dry onions, cabbage, and rutabagas. They also did some jobbing in the market and sold some carlot quantities to local wholesalers and retail organizations.

In 1958 there was no firm in the market whose primary business was purchase and shipment of locally produced fruits and vegetables. There was a mixed load shipper but it broke down carlots from distant areas and shipped mixed lots of fruits and vegetables to regular customers in Canada.

Although there was virtually no change in the total acreage of fruits, berries, and vegetables (other than potatoes) in the 11 nearby counties between 1939 and 1959, there was an important shift in the types of commodities produced. A sharp decrease in the production of fruits, berries, and vegetables for fresh market was accompanied by an increase in the production of vegetables for processing. The acreage of fruits

^{2/} Anoke, Carver, Chisago, Dakota, Hemmepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright counties.

and berries in the 11 counties decreased from 5,528 acres in 1939 to 1,625 acres in 1959. The acreage of tomatoes, cucumbers cabbage, and dry onions (primarily for fresh market) decreased from 3,746 acres to 1,808. These decreases were offset by increases in the acreage of sweet corn and green peas (primarily for processing) from 8,222 acres in 1939 to 14,622 acres in 1959.

Methods of selling have also changed. Instead of selling at the farmers' markets, a larger proportion of growers are now selling and delivering produce directly to chain warehouses, wholesalers, and retail stores. It is estimated that the volume of fruits and vegetables sold at the farmers' markets in the Twin Cities declined from over 13,000 carlots in 1936 to less than 1,000 in 1958. The extent of the decline in importance of farmers' markets is reflected in the decrease in growers' patronage of the Minneapolis Municipal Market. The number of season and monthly stall rentals decreased from 449 in 1938 to 241 in 1958, and daily stall permits decreased from 14,333 in 1938 to only 2,335 in 1958. A similar decrease in patronage also occurred at the St. Paul farmers' market during the same period.

The U.S. Department of Agriculture did not begin collecting and publishing truck unload data for the market until 1955, but an early study was published with truck unload data for 1936. These data indicate that unloads of fruits and vegetables from distant points increased from about 13,600 carlots in 1936 to 15,700 carlots in 1958 (fig. 3).

There was also a marked shift in the relative share of direct receipts received by wholesale handlers and retail organizations during this period (fig. 4). The volume received by wholesale handlers changed very little while the volume received by retail organizations increased sharply.

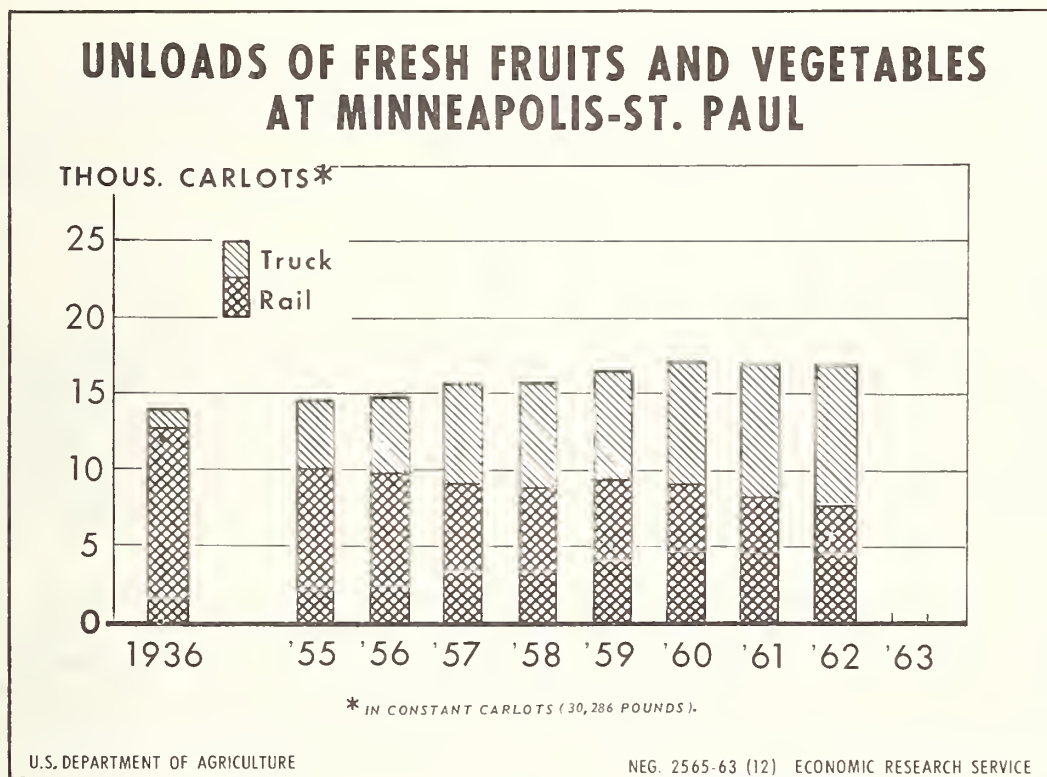


Figure 3

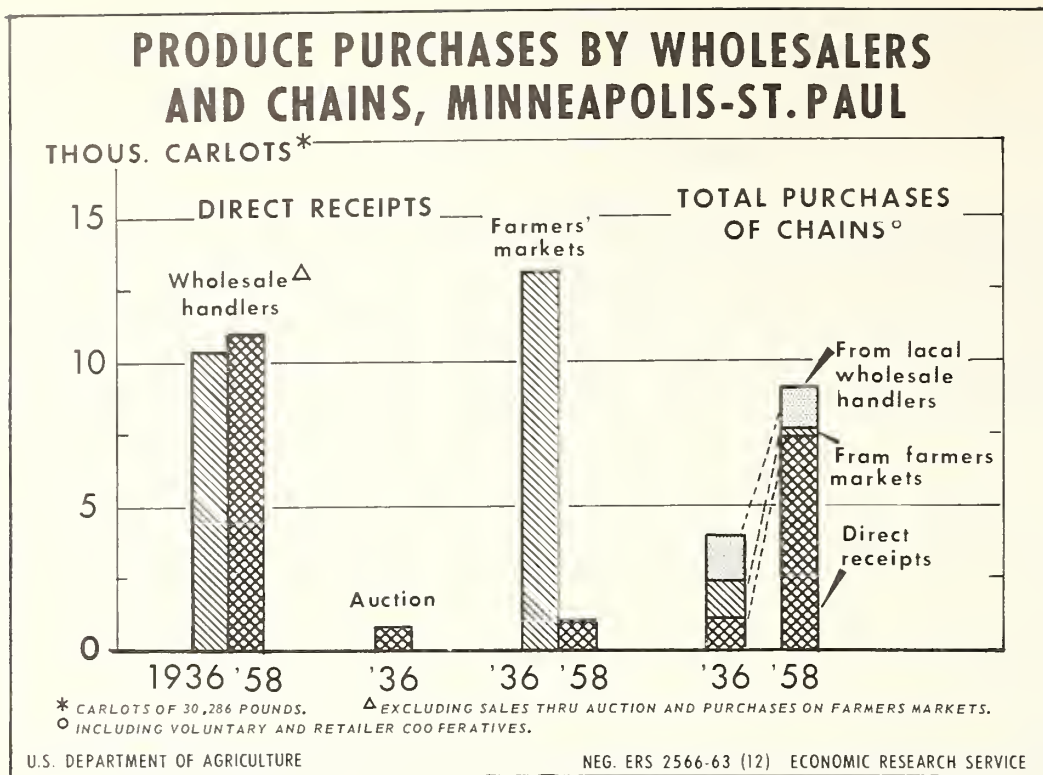


Figure 4

The volume of direct receipts of retail organizations increased from 1,114 carlots in 1936 to 7,364 in 1958, while l.c.l. purchases from wholesale handlers decreased from 1,652 carlots to 1,462 during the same period. Thus, the relative share of l.c.l. purchases from wholesale handlers declined from 41 percent of retail organizations' total purchases in 1936 to only 16 percent in 1958.

Number and Type of Firms

A leading trade directory and credit rating service listed 124 wholesale fruit and vegetable firms in Minneapolis-St. Paul in 1939, 94 in 1948, and 84 in 1958 (table 15). Firm classifications in table 15 are those that are listed first in the directory and do not necessarily correspond to the type classifications in this study. Most firms were listed in the directory as more than one type, indicating the variety of functions and services performed. For example, a firm in the directory may be listed as a receiver-repacker-shipper and would appear in table 15 as a receiver.

The number of listed receivers declined from 50 in 1939 to 33 in 1958. There appears to have been a change in the method of classifying jobbers and truck jobbers between 1948 and 1958. The directory indicates that jobbers declined from 17 to 2 during the period from 1939 to 1958 while truck jobbers increased from 5 to 17. However, when considered together, jobbers and truck jobbers declined from 22 in 1939 to 19 in 1958. Brokers and agencies as a group declined from 35 in 1939 to 20 in 1958.

Table 15.--Number of firms, by type, Minneapolis-St. Paul wholesale produce market, 1939, 1948, and 1958 1/

Type of firm	1939	1948	1958
	<u>Firms</u>	<u>Firms</u>	<u>Firms</u>
Receiver, receiver-jobber.....	50	49	33
Jobber.....	17	11	2
Truck jobber.....	5	5	17
Trucker.....	--	--	2
Repacker, prepackager.....	1	1	3
Shipper, packer.....	16	9	7
Wholesale handlers.....	89	75	64
Broker.....	28	15	17
Distributor, sales agency.....	5	4	3
Auction.....	2	--	--
Brokers and agencies.....	35	19	20
Total wholesalers.....	124	94	84
Chain.....	6	6	3
Wholesale grocer.....	5	10	2
Grand total.....	135	110	89

1/ Packer Red Book, 1939 and 1948; Fresh Yearbook Issue--The Packer, 1958.

Entrance and Exit of Firms

The wholesale produce business is relatively easy to enter. Capital requirements are low. Buildings can be rented and little equipment is needed for most types of business. Expensive equipment such as trucks can be rented, leased, or bought on time payment. This means that new firms enter the business quite frequently and some old ones leave. In addition to the turnover in firms, there is frequent turnover in ownership and management. Only a small portion of the firms now in existence -- and a few Minneapolis-St. Paul firms are over 60 years old -- have been owned by the same persons or families over their entire history. Frequently, as the owners reach retirement age they sell out to junior members of the firm or to others in the produce business, frequently to employees of other firms who wish to go into business for themselves.

Of the 89 firms listed in table 15 as being in the produce business in 1958, 37 were listed in all 3 years -- 1939, 1948, and 1958. Of the others, 21 were not listed in 1939 but were listed in 1948 and 1958, and 31 first appeared in the 1958 listing. Of the 135 firms listed in 1939, 56 were listed only in 1939, and 42 were listed in 1948 but not in 1958. Ten firms were listed only in 1948.

In this study the wholesalers were asked how long the firms had been in business (table 16). Only 2 firms had been in business 60 years or more, and 12 firms had

entered the market during the preceding 10 years. Most of the firms had been in business from 10 to 39 years, and the largest group -- almost one-third of the firms -- had been in business 20 to 29 years.

Growth and Decline of Firms

Many changes in the Minneapolis-St. Paul market are reflected in changes in volume of business done by firms of various types. Changes in volume during the preceding 10 years were obtained for 50 wholesalers who had been in business 10 years or longer. Twenty-five of these firms had increased volume more than 10 percent during the 10 years, 8 firms had substantially the same volume, and 17 firms had declines of more than 10 percent.

As a group, the wholesale handlers fared better than the brokers and agents. Nineteen of the 34 wholesale handlers reported increases of more than 10 percent and only 8 reported declines. Six of the 16 brokers and agents reported increases and 9 reported declines.

Size of firm was not the major factor affecting changes in volume over the 10 years. Although all 8 of the wholesale handlers reporting declines were small firms (less than 200 carlots) 8 of the wholesale handlers reporting increases were also small. Six of the 9 brokers and agents reporting declines were large firms (500 or more carlots) but all 6 of the brokers and agents reporting increases were also large.

All of the wholesale handlers reporting declines were secondary handlers. None of the primary handlers reported declines for the 10-year period. Selling brokers accounted for 7 of the 9 brokers and agents reporting declines.

Changes in Trade Channels

Few firms in the Minneapolis-St. Paul market changed their source of supply significantly in the preceding 10 years. Only 9 of the wholesale handlers and none of the brokers and agencies reported changes. Five wholesale handlers purchased a larger proportion of their volume directly from shipping point and a smaller proportion from brokers in the market, from jobbers, and from the farmers' markets. Four firms purchased more from local brokers and less from jobbers and directly from shipping point.

Five retail organizations purchased a larger proportion of their volumes directly from shipping point and less from the local brokers. On the other hand, one retail organization purchased more from local brokers and less directly from shipping point.

Many firms reported shifts in the importance of various types of outlets during the preceding 10 years. In some cases the number of firms reporting declining sales to a given type of outlet were about offset by firms reporting increased sales to the same type of outlet. The most significant change reported was the decline in sales to independent grocery stores. Twelve wholesale handlers reported decreases and only 4 reported increases in sales to independent grocery stores. There was also a decline in sales to the retail organizations. Five brokers and agencies reported decreases and only 2 reported small increases in sales to the retail organizations.

Changes in Services

Eight wholesale handlers reported increases in services during the preceding 10 years. The 3 service wholesalers had each become service wholesalers during that

period-- 2 increasing services and 1 by beginning services. The service jobber had been providing services only 4 years. Two firms were more liberal in granting rebates or adjusting prices and 2 firms reported that they had begun selling less than full packages to small stores and restaurants.

Credit terms changed little during the 10 years. Only 4 wholesalers reported changes in credit; in each case the firms granted more liberal terms. Other firms stated that they did not change the credit terms but they watched their accounts more closely. Seven firms reported that collection had become more difficult, and only 2 said that collection was easier than 10 years earlier.

Outlook of Wholesalers

Nearly half the wholesalers were pessimistic about the future of their type of business. Twenty-nine firms felt that the outlook was poor, 7 firms felt that it was fair, and 20 felt that it was good. The other 9 firms felt that the future was too uncertain to hazard a guess. Most of the small firms felt that the outlook was poor. The large firms were equally divided as to whether the outlook was good or poor. Wholesale handlers as a group were about equally divided between optimism and pessimism, but 10 brokers and agencies felt that the outlook was poor and only 4 felt that it was good.

Those firms that lost volume during the preceding 10 years were more pessimistic than those that increased volume. Ten of the 17 firms that lost volume felt that the outlook was poor and only 3 of these firms felt that it was good. Of the 25 wholesalers that increased volume, 12 felt that the outlook was good and 8 felt that it was poor.

The managers of new firms--those in business less than 10 years--were more pessimistic than those of older firms. Six of the 12 new firms felt that the outlook was poor and only 2 felt that it was good.

Thirteen wholesalers said that they planned to make the following changes in their operations:

<u>Change</u>	<u>Number of firms</u>
Expand present operation	6
Merge with another wholesaler	2
Add other types of food	2
Increase services	2
Increase prepackaging	1

Two firms stated they they planned to shift to a different kind of business and 7 firms planned to go out of business.

DULUTH-SUPERIOR

Firms in the Duluth-Superior wholesale produce market sold 3,197 carlots of fruits and vegetables in 1958 (table 17). This total included the volume resold among wholesalers and to retail organizations in the market. It also included the volume, owned or controlled by Duluth-Superior firms, that bypassed the market and went directly to out of-town customers.

Table 16.--Percentage of firms in business for specified periods, by type of firm, Minneapolis-St. Paul wholesale produce market, 1958

Type of firm	1-4 : years	5-9 : years	10-19 : years	20-29 : years	30-39 : years	40-49 : years	50-59 : years	60 years : or more	Total
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Receiver, receiver-jobber.....	--	--	22	33	33	--	11	--	100
Service wholesaler.....	--	--	33	33	--	--	--	33	100
Jobber, service jobber.....	--	25	50	25	--	--	--	--	100
Jobber (delivery).....	--	12	12	50	25	--	--	--	100
Truck jobber.....	--	--	67	33	--	--	--	--	100
Purveyor.....	--	14	14	14	43	--	14	--	100
Prepackager, repacker.....	25	--	--	75	--	--	--	--	100
Trucker, mixed load shipper...	75	25	--	--	--	--	--	--	100
Selling broker.....	--	17	25	8	25	8	8	8	100
Distributors.....	20	--	--	60	--	20	--	--	100
Sales agencies.....	--	33	--	--	33	33	--	--	100
Total wholesalers.....	8	11	21	29	18	5	5	3	100

Table 17.--Number of firms by size and type, and volume sold by type of firm, Duluth-Superior wholesale produce market, 1958

Type of firm	All firms		Distribution of firms by size				Percentage of volume handled by	
	Number	Percent	Volume handled 1/		by size 2/		Percentage of volume handled by	
			Quantity	of total	Small	Medium	Large	Small
	Firms	Carlots	Percent	Percent	Number	Number	Number	Percent
Receiver.....	1 }	840	26	{	1	--	--	100
Receiver-jobber.....	2 }			--	--	2	--	--
Service wholesaler.....	2 }	1,470	46	{	1	1	--	36
Selling broker.....	1 }			--	--	--	1	--
Truck jobber.....	3 }	162	5	{	3	--	--	100
Purveyor.....	1 }			1	--	--	--	100
Local chain without warehouse.....	2 }	725	23	2	--	--	--	100
Voluntary group.....	1 }			--	1	--	--	100
Retailer cooperative.....	1 }			--	1	--	--	100
Grand total.....	14	3,197	100		8	5	1	16
								3/

1/ Includes resales among wholesalers and sales to retail organizations.

2/ Small firms handle less than 200 carlots per year, medium firms 200 to 499, and large firms 500 or more.

3/ Withheld to avoid disclosure of individual operations.

There is no concentrated market area in either Duluth or Superior. The firms do business in various parts of the cities and in the suburbs. The 11 firms in Duluth sold 2,725 carlots and the 3 firms in Superior (1 retailer cooperative, 1 receiver, and 1 truck jobber) sold 472 carlots.

Structure of the Market

The wholesale produce market consisted of 14 firms of 9 types (table 17). There were 9 wholesale handlers, 1 selling broker, and 4 retail organizations. Sales of the 10 wholesalers accounted for 77 percent of the market volume in 1958 and the 4 retail organizations accounted for 23 percent.

Eight firms sold less than 200 carlots, 5 firms sold from 200 to 499 carlots, and only 1 firm sold 500 or more carlots. The 8 small firms accounted for only 16 percent of the volume sold and the 6 medium and large firms accounted for 84 percent.

In a market as small as Duluth-Superior there is not sufficient volume for firms to specialize in certain commodities. All of the firms in the market reported that they handled a general line of fruits and vegetables.

The 12 firms that handled produce through their own warehouse had a total of 108 employees (table 18). This total included 13 active officers, partners, and proprietors. The 6 small firms had 24 employees and the 6 medium and large firms had 84 employees.

The interfirm relationship of the retail organizations is stated in the definitions of firm types in the appendix. There was no complete ownership of one firm by another in the market, but part ownership of three different firms (a receiver-jobber, wholesale grocer, and a local chain) was shared by the same principals. One of the service wholesalers was the local unit of a multi-unit organization with outlets in other cities. A principal in one firm reported that he owned a farm but did not produce any fruits or vegetables for sale.

Marketing Channels

The total supply of fruits and vegetables to the Duluth-Superior market was about 3,300 carlots in 1958. However, only 2,200 carlots were physically handled by wholesalers and retail organizations in the market. A total of 500 carlots (owned or controlled by Duluth-Superior firms) bypassed the market and went directly to customers in other towns. Another 600 carlots came directly to chain retail outlets (supplied from warehouses in other cities), independent retailers, restaurants, and institutions but were not handled by wholesalers or retail organizations in the market.

Of the 2,200 carlots handled in the market, 1,300 were consumed in the metropolitan area and 900 came into the market but were then shipped to out-of-town destinations (fig. 5). Of these 900 carlots destined to out-of-town points, 500 were handled by wholesalers and 400 were handled by the retail organizations.

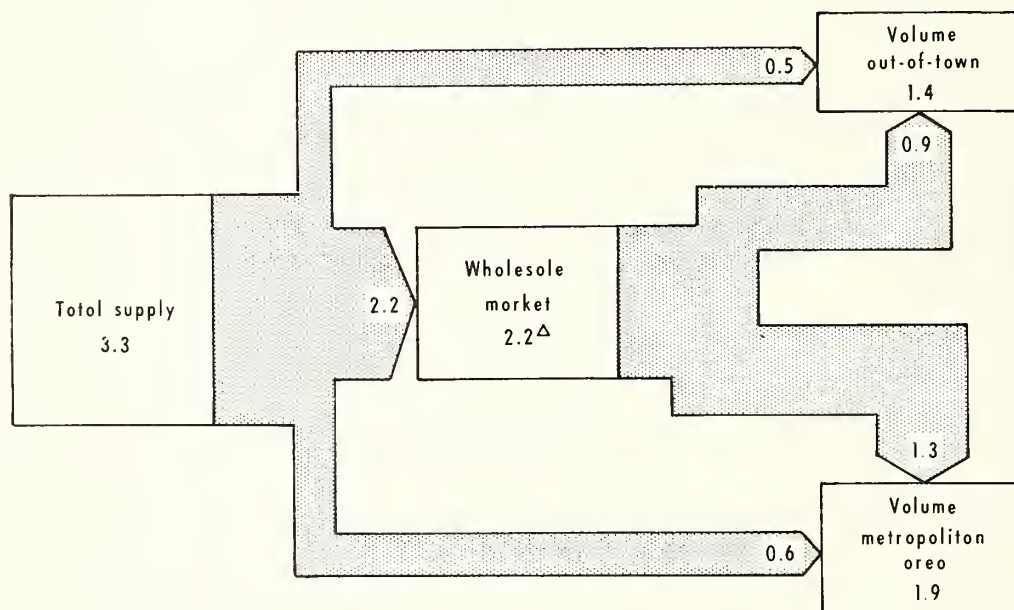
Figure 6 and tables 19 through 21 illustrate the movement of produce through the major marketing channels. The initial volume of 2,700 carlots (including volume bypassing the market) owned or controlled by Duluth-Superior firms represented a total of 3,197 carlot transactions (including resales among wholesalers and to retail organizations) by the time all the produce had reached the retail level or had been sold to out-of-town customers.

Table 18.--Number of employees, by class of firm, Duluth-Superior
wholesale produce market, 1958 1/

Class of firm	Firms	Employees
	<u>Number</u>	<u>Number</u>
Receiver, receiver-jobber.....	3	34
Service wholesaler, voluntary, retailer cooperative.....	4	56
Selling broker, truck jobber, purveyor.....	5	18
Total.....	12	108

1/ Does not include 2 local chains without warehouses.

FLOW OF INITIAL SUPPLY, DULUTH- SUPERIOR WHOLESALE PRODUCE MARKET, 1958 (Thousand Carlots)



Δ INCLUDES DIRECT RECEIPTS BY RETAIL ORGANIZATIONS.

U.S. DEPARTMENT OF AGRICULTURE

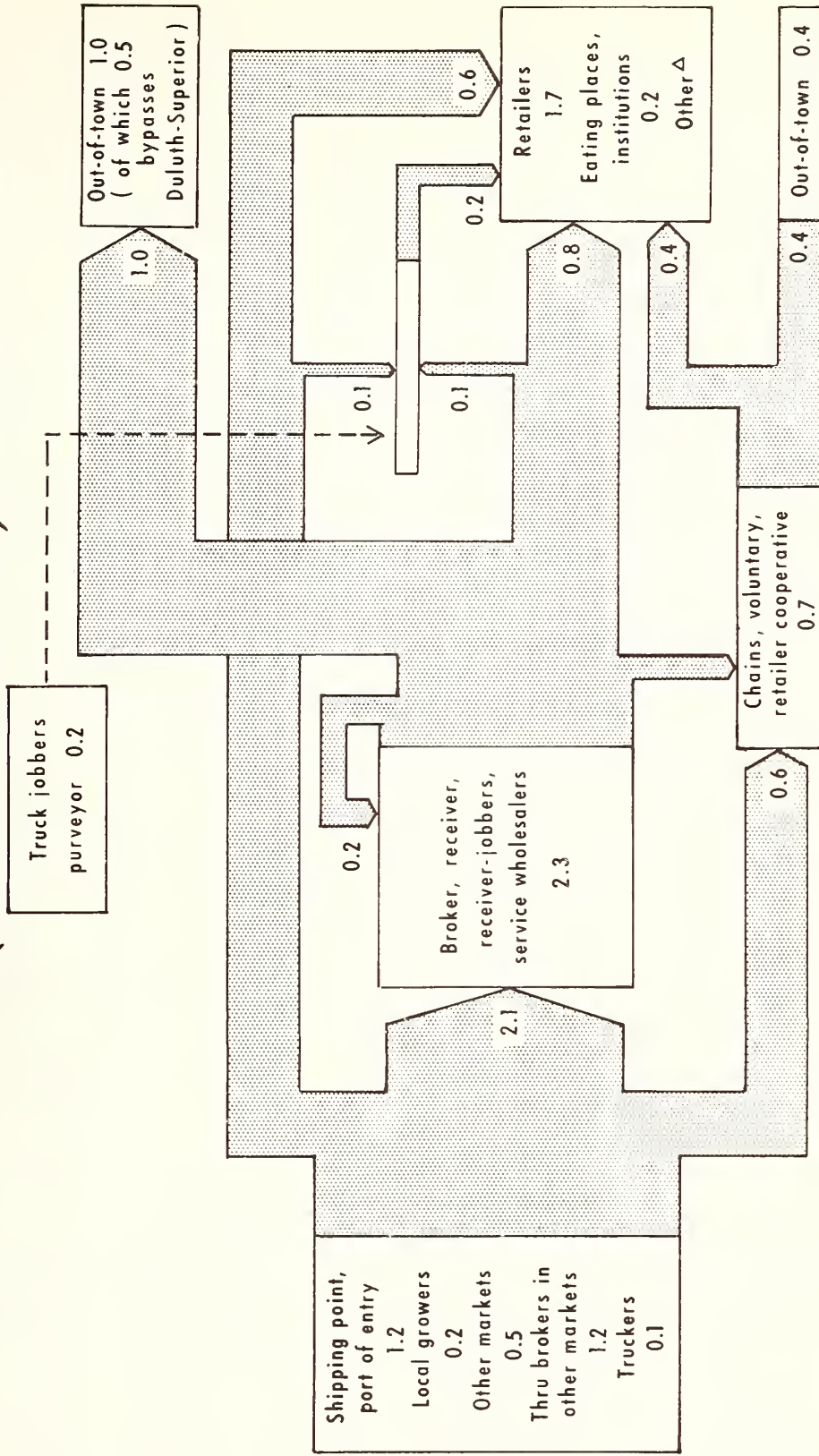
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Figure 5

Fifty-three percent of the total supply to the market came through firms in other markets; this consisted of 38 percent through brokers and agencies and 15 percent from retail organizations and wholesale handlers (table 19). Most of this volume came from the Minneapolis-St. Paul market. Duluth-Superior firms purchased through Minneapolis-St. Paul brokers and agencies and a service wholesaler booked orders through the Minneapolis office of the parent firm. Also, 3 Minneapolis-St. Paul retail organizations serviced retail stores in Duluth-Superior from their warehouses in Minneapolis-St. Paul.

MAJOR MARKETING CHANNELS, DULUTH-SUPERIOR WHOLESALE PRODUCE MARKET, 1958

(Thousand Carlots)



Δ LESS THAN 50 CARLOTS.

Table 19.--Source of supply, by class of buyer, Duluth-Superior wholesale produce market, 1958

Class of buyer	Purchases from outside Duluth-Superior market							Volume : brought into Duluth- Superior market		
	Direct from shipping point or port of entry	From other terminal markets	Through sales agencies or brokers in other cities	From local growers	From truckers	Total				
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots		1,000 carlots	1,000 carlots	1,000 carlots
Receiver, receiver-jobber.....	0.1	1/	0.4	0.1	--	0.6		--	--	0.6
Service wholesaler, selling broker.....	1.1	--	0.3	1/	--	1.5		0.5	0.5	1.0
Truck jobber, purveyor.....	1/	0.1	--	1/	1/	0.1		--	--	0.1
Total wholesalers.....	1.2	0.1	0.7	0.1	1/	2.2		0.5	0.5	1.7
Chain, voluntary, retailer cooperative:	--	--	0.5	0.1	--	0.6		--	--	0.6
Retailer, processor, eating place.....	--	0.4	--	0.1	0.1	0.6		--	--	0.6
Grand total 2/.....	1.2	0.5	1.2	0.2	0.1	3.3		0.5	0.5	2.8

1/ Less than 50 carlots.

2/ Figures may not add to total because of rounding.

Table 20.--Sales to other Duluth-Superior wholesalers, retail organizations, and retail outlets, by class of firm, Duluth-Superior wholesale produce market, 1958

Class of seller	Type of buyer						Total
	Wholesalers			Retailers			
	Receiver, receiver- jobber	Truck jobber, purveyor	Chains, voluntary, retailer cooperative	Retail store, peddler	Processor, consumer	Eating place, institution, military	
	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots	1,000 carlots
Receiver, receiver-jobber.....	0.1	0.1	0.1	0.4	--	0.1	0.7
Service wholesaler, selling broker.....	0.2	--	0.1	0.2	<u>2</u> /	0.1	0.6
Truck jobber, purveyor.....	--	--	--	0.1	--	<u>2</u> /	0.2
Total wholesalers <u>1</u> /.....	0.2	0.1	0.2	0.8	<u>2</u> /	0.2	1.4
Chain, voluntary, retailer cooperative <u>2</u> /.....	--	--	--	0.4	--	--	0.4
Grand total <u>1</u> /.....	0.2	0.1	0.2	1.1	<u>2</u> /	0.2	1.8

1/ Figures may not add to total because of rounding.

2/ Transfer from warehouse to retail outlets.

3/ Less than 50 carlots.

Table 21.--Out-of-town sales and total sales, by class of firm, Duluth-Superior wholesale produce market, 1958

Class of seller	Type of out-of-town buyer						Total sales in Duluth-Superior market	Grand total sales
	Wholesaler	Chain, voluntary, retailer, cooperative	Retailer	Eating place, institution, military	Total out-of-town sales 1/	1,000 carlots		
Receiver, receiver-jobber..	2/	0.1	--	--	0.1	1,000 carlots	0.7	0.8
Service wholesaler, selling broker.....	0.1	0.3	0.5	0.1	0.9	1,000 carlots	0.6	1.5
Truck jobber, purveyor.....	--	--	--	--	--	1,000 carlots	0.2	0.2
Total wholesalers.....	0.1	0.4	0.5	0.1	1.0	1,000 carlots	1.4	2.5
Chain, voluntary, retailer cooperative 2/...	--	--	0.4	--	0.4	1,000 carlots	0.4	0.7
Grand total.....	0.1	0.4	0.8	0.1	1.4	1,000 carlots	1.8	3.2

1/ Includes volume which bypassed the Duluth-Superior market. See table 20.

2/ Less than 50 carlots.

3/ Transfer from warehouse to out-of-town retail outlets.

Wholesalers' sales to other wholesalers accounted for 9 percent of total sales, and sales to retail organizations in the market accounted for 5 percent (table 20). Sales to retail stores, restaurants, and institutions in the metropolitan area, including sales by the retail organizations to participating retailers, accounted for 31 percent of total sales.

Out-of-town sales, mostly by the broker and service wholesalers, were mainly to retail organizations and independent retail stores (table 21). Only 4 percent of total sales were made to out-of-town wholesalers.

Buying Methods

Two methods in 1958 accounted for 98 percent of the direct purchases from shipping point (table 22). Wholesalers purchased 93 percent by telephone and 5 percent through shipping-point buying brokers. None of the Duluth-Superior firms had their own salaried buyers at shipping point.

Most purchases were made on a f.o.b. shipping-point basis, but one of the service wholesalers reported that some of its purchases were made on a delivered basis.

Functions and Services

Five of the 6 wholesale handlers that received produce in full carlots had truck sidings to their stores. Four of these, however, said that they also hauled some produce from team tracks; but in each case this was less than 25 percent of their rail receipts. All unloading of rail cars and trucks was done by the firms' own employees and all receipts were physically handled through the firms' stores.

Wholesalers made 94 percent of their sales to regular customers. Truck jobbers, purveyors, and selling brokers made all of their sales to regular customers, but receivers, receiver-jobbers, and service wholesalers made only 89 percent of their sales to regular customers.

All of the wholesale handlers made deliveries to their customers (table 23). Eighty-eight percent of their sales were delivered, all by their own employees in the firms' own trucks.

There were no specialized prepackagers or repackers in the Duluth-Superior market, but about 100 carlots of produce were prepackaged by 4 wholesale handlers and 2 retail organizations. The receiver and 2 service wholesalers accounted for about 70 percent of this volume. Two firms packaged 1 item, 2 firms 2 items, 1 firm 3 items, and 1 firm 4 items. Potatoes, onions, and tomatoes were the commodities packaged in the largest volumes.

The service wholesalers suggested retail selling prices, assisted in merchandising, display, and advertising, and guaranteed prices on advertised specials. One of the receiver-jobbers assisted in merchandising, but none of the firms assisted in training retail produce personnel. In addition to the full line of services normally provided to member stores, one of the retail organizations also participated in a merchandising program in local high schools.

All of the wholesale handlers offered either weekly or monthly credit to their customers. Four of these firms collected from all customers each week. Four firms

Table 22.--Percentage distribution of shipping-point purchases by method of purchase, by class of firm, Duluth-Superior wholesale produce market, 1958

Class of firm	Direct by phone or wire	Through shipping point buying broker	From farmers market	Total
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Receiver, receiver-jobber...	63	29	8	100
Service wholesaler, selling broker.....	100	--	--	100
Truck jobber.....	100	--	--	100
Total wholesalers.....	93	5	2	100

Table 23.--Extent of delivery service by Duluth-Superior wholesale Produce handlers, 1958

Type of firm	Percentage of firms providing delivery service	Volume delivered as percentage of sales
	<u>Percent</u>	<u>Percent</u>
Receiver, receiver-jobber.....	100	86
Service wholesaler, purveyor.....	100	88
Truck jobber.....	100	100
Total wholesale handlers.....	100	88

collected from wholesale and retail customers each week but billed institutional customers once a month. One firm that sold mostly to institutional customers billed all customers once a month.

One of the firms in the market advanced money to growers or shippers for short periods of time, but none of the firms provided financial assistance for the production of crops.

Margins

The gross margins for which Duluth-Superior wholesalers aimed varied from 11 to 20 percent and averaged 13.8 percent. Target margins of receivers and receiver-jobbers averaged about 12 percent while those of service wholesalers, truck jobbers, and purveyors averaged about 16 percent.

Structure of the Retail Market

There were 562 retail food stores with total sales of \$81.3 million in Duluth-Superior in 1958. Of these, 446 were grocery stores with sales of \$75.1 million and

9 were specialty fruit and vegetable stores with sales of \$306,000. The remainder were other types of specialty stores such as dairy stores and meat markets.

The 510 single-unit food stores represented 91 percent of the stores in the metropolitan area but only accounted for 63 percent of the food store sales. Chains owning 2 or 3 stores accounted for 5 percent of the stores and 8 percent of the sales. Chains owning 4 or more stores had only 4 percent of the stores but accounted for 29 percent of the food store sales.

Twenty of the food stores in Duluth-Superior were owned by chains owning 11 or more stores, but these stores plus many of the larger independent retailers were serviced from warehouses in other cities. Three of the retail organizations in Minneapolis-St. Paul serviced retail stores in Duluth-Superior.

There were 2 local chains in the market but neither handled produce through their own warehouses. Both of these firms made purchases from wholesalers in the market for delivery directly to their retail stores. These firms owned a total of 8 stores, 6 of which were in the metropolitan area.

The voluntary group and the retail cooperative in Duluth-Superior both purchased fruits and vegetables directly from shipping point and serviced member stores from their own warehouses. These firms serviced 392 stores, but only 40 were located in the city.

Two Decades of Change in the Market

Number and Type of Firms

The number of fresh fruit and vegetable wholesalers declined by almost one-half between 1939 and 1958 (table 24). A trade directory listed 21 wholesalers in 1939, 18 in 1948, and only 11 in 1958. The largest decrease was in the number of receivers and receiver-jobbers -- from 13 in 1939 to only 4 in 1958. Shippers and brokers decreased from 3 in 1939 to 1 in 1958. The only type of firm that increased was truck jobbers -- from none in 1939 to 2 in 1948 and 3 in 1958.

Entrance and Exit of Firms

Of the 15 firms listed in the trade directory in 1958, 9 were listed in all 3 years (1939, 1948, and 1958), 2 were listed in 1948 but not in 1939, and 4 were listed for the first time in 1958. Of the other firms, 10 were listed in 1948 and 1939 but not in 1958. One firm was listed only in 1948 and 7 firms were listed only in 1939.

The 10 wholesalers were asked how long they had been in business (table 25). Eight had been in business 10 years or more, and 2 of these had been in business 30 to 39 years. None had been in business more than 39 years.

Changes in Individual Firms

Four of the 8 firms that had been in business at least 10 years increased their volume 10 percent or more during the preceding 10 years. The volume of 2 firms declined more than 10 percent, and the volume of 2 firms changed less than 10 percent.

Table 24.--Number of firms, by type, Duluth-Superior wholesale produce market, 1939, 1948, and 1958 1/

Type of firm	1939	1948	1958
	<u>Firms</u>	<u>Firms</u>	<u>Firms</u>
Receiver, receiver-jobber...	13	11	4
Jobber.....	2	4	2
Truck jobber.....	--	2	3
Shipper, packer.....	3	--	1
Wholesale handlers.....	18	17	10
Broker.....	3	1	1
Total wholesalers.....	21	18	11
Chains.....	1	1	1
Wholesale grocer.....	4	3	3
Grand total.....	26	22	15

1/ Packer Red Book, 1939 and 1948; Fresh Yearbook Issue--The Packer, 1958.

Table 25.--Percentage of firms in business for specified periods, by class of firm, Duluth-Superior wholesale produce market, 1958

Class of firm	5-9 years	10-19 years	20-29 years	30-39 years	Total
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Receiver, receiver-jobber.....	--	33	33	33	100
Service wholesaler, voluntary, retailer cooperative.....	--	50	25	25	100
Selling broker, truck jobber, purveyor.	40	40	20	--	100
All firms <u>1/</u>	17	41	25	17	100

1/ Does not include 2 local chains without warehouses.

Only 1 wholesaler reported a change in its source of supply during the 10 years. A receiver-jobber indicated it was buying less through shipping-point selling brokers and more through selling brokers in both Duluth and Minneapolis.

The 2 firms that lost business during the 10 years both indicated that their sales to independent retail stores had declined. Three of the firms whose volume increased or remained unchanged stated that sales to independent retailers had declined but sales to chains, voluntary and cooperative groups, and institutions had increased.

There was relatively little change in services offered during the 10 years. One firm began to suggest retail prices to the stores and to give more assistance in advertising and promotion. Two firms indicated that they were more selective in granting credit because collection had become more difficult.

Outlook of Wholesalers

Seven of the wholesalers expressed opinions about the future of their type of business. Four felt that the outlook was poor and 3 felt that it was good. Two of the 4 that felt the outlook was poor had lost volume, but the other 2 had increased volume during the 10 years. The 3 firms that felt the outlook was good had either increased or held their volume. These firms either provided services to retailers or felt that they served a specialized function in the market.

Three firms planned to make changes in their operations. One firm planned to add a line of frozen foods and canned goods, and another planned to do more pre-packaging. The principal of the third firm stated that he would either merge with another firm or would go out of business.

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APPENDIX: TERMS USED IN THIS STUDY

Types of Firms

Brokers and agencies (firms that do not physically handle merchandise although they may arrange for such physical handling by others):

Auction representative
Buying broker
Buying office
Cooperative sales agency
Carlot distributor
Distributor
Export agent

Import agent
Importer's sales agency
Sales agent
Selling broker
Shipper's sales agency
Terminal broker

Retail organizations:

Corporate chains:
National chain
Regional chain
Local chain
Local chain without warehouse

Voluntary group
Retail cooperative

Wholesale handlers (firms that physically handle merchandise):

Auction
Banana jobber
Commission importer
Commission wholesaler
Commission merchant
Exporter
Importer
Institutional grocer
Itinerant trucker
Jobber
Jobber (delivery)
L.c.l. shipper
Merchant trucker

Mixed load shipper
Packer-shipper
Prepackager
Purveyor
Receiver
Receiver-jobber
Receiver-purveyor
Repacker
Secondary wholesaler
Service jobber
Service wholesaler
Truck jobber
Wholesale grocer

Definitions of Terms

Auction.--A terminal market fruit auction which acts strictly as a service agency, providing facilities and organization for selling and handling the produce (or arranging for such handling), but having no financial interest in the produce.

Auction representative.--A selling broker more than half of whose business is on the fruit auction as a shipper's representative.

Banana jobber.--Considered a special case and classified as a jobber, even though he is usually the first receiver in the market. He ripens, cuts, and boxes bananas.

Buying broker.--Buys in less-than-carload lots in the terminal market, including the fruit auction, for out-of-town wholesalers and chainstores or for local retailers. May arrange for loading and shipment, but does not handle the produce himself. In some

cases, he may accept the billing for the merchandise (especially when buying for foreign customers, usually Canadian) but this is done as a convenience for the buyer.

Brokers and agencies.--Firms which do not physically handle the produce, although they may arrange for such physical handling by others.

Buying office.--A salaried buyer for an out-of-town wholesaler or chainstore. Arranges for loading and shipment but does not handle the produce himself.

Carlot distributor.--Buys and sells full carlots and takes title. He may do some brokerage business as well. Does not physically handle the produce.

Commission importer.--An importer who operates on a commission basis.

Commission merchant.--A receiver who handles more than half his produce on consignment from growers or shippers.

Commission wholesaler.--A receiver-jobber who handles more than half of his produce on consignment from growers or shippers, often nearby growers.

Cooperative sales agency.--Salaried representative of a farmer cooperative in the terminal market. Does not physically handle produce.

Direct purchases from shipping point.--Purchases by the buying firm from sellers located at a shipping point.

Direct receipts from shipping point.--Receipts of produce directly from shipping point, including both direct purchases from shipping point and purchases from brokers, sales agencies, and others in the terminal market when the actual shipment is made directly to the first receiver.

Distributor.--Buys full carlots or trucklots. Sells in l.c.l. quantities to wholesalers, chainstores, and others. Does not physically handle the produce. Sells out of car, either before or after receipt. May do some brokerage business as well.

Export agent.--A broker for export sales.

Exporter.--Buys produce on his own account and ships to foreign countries or to noncontiguous areas of the United States (for example, Alaska, Hawaii, Puerto Rico).

Firm.--The firm in this study is a separate business operation. It does not necessarily coincide with the legal or other definition of the firm. For example, a single corporation which operated a prepackaging plant and a receiving operation generally would be treated as two firms in this study. The relationships between the two firms so defined is indicated under interfirm relationships. This type of definition permits us to treat different types of operations as relatively pure single-function firms, rather than trying to handle multiple operations as a single firm which does not fit in any category.

Importer.--Imports produce from foreign countries and takes title.

Itinerant trucker.--A trucker who does not maintain a store or warehouse. Usually buys on speculation and hauls to another city where he hopes to resell at a higher price. May operate as a for-hire trucker at one time and as an itinerant trucker at another time.

Jobber.--Purchases more than half his produce from wholesale handlers in the local market. Sells more than half his produce to retail stores and institutional outlets. Handles the merchandise through his own store.

Jobber (delivery).--A jobber who delivers more than half his produce to his customers.

L.c.l. shipper.--Buys in the terminal market and takes title. Ships less-than-carload lots to wholesalers and chainstores in other markets.

Large firms.--Those selling 500 or more carlots of produce annually.

Local chain.--A corporate chain with only one warehouse distribution area.

Local chain without warehouse.--A local chain which does not operate its own produce warehouse, although it almost always operates a dry grocery warehouse.

Market.--The standard metropolitan statistical area, or if area has not been defined, the county concerned.

Market area.--A limited area within the market where firms are concentrated.

Medium firms.--Those selling 200 to 499 carlots of produce annually.

Merchant trucker.--A trucker who buys at shipping point or in other markets and hauls in his own truck to the terminal market where he maintains a store or warehouse.

Mixed load shipper.--Buys in the terminal market and takes title. Ships full loads (mostly truckloads) to wholesalers in other markets.

National chain.--The three largest chainstores with warehouse distribution areas over more than half the country.

Packer=shipper.--Receives products directly from farms, packs and ships. Most such firms are, of course, located in the country, but a few are found in markets such as Los Angeles.

Produce.--Used interchangeably with "fresh fruits and vegetables."

Purveyor.--A jobber who sells more than half his produce to hotels, restaurants, and institutions.

Receiver.--Purchases produce for own account usually in full carlots or trucklots. Direct receipts from shipping point account for more than half his purchases. Performs the physical functions of unloading and handling in his own facilities, on team track, or at the terminal. More than half his sales are to other wholesalers, chainstore warehouse, or processors.

Receiver-jobber.--Direct receipts from shipping point are more than half his purchases. More than half his sales are to retail stores and institutional outlets. Receives and handles produce in his own warehouse or store.

Receiver-purveyor.--A purveyor who receives more than half his produce direct from shipping point.

Regional chain.--A corporate chain organization with two or more warehouse distribution areas.

Repacker, prepackager.--A prepackager has more than half his produce in consumer packages. A tomato repacker ripens, sorts, and packages tomatoes.

Retail cooperative.--A wholesale operation owned by member retailers.

Sales agent.--An independent selling agency for a wholesaler, who receives a commission on sales made for the principal. Typically a one-man operation selling for a purveyor.

Secondary wholesaler.--A wholesaler who buys from local wholesale handlers and resells to other wholesalers such as jobbers and truck jobbers. Handles the produce and takes title.

Selling broker.--Negotiates sales on behalf of a number of shippers, but does not take title and does not physically handle the produce.

Service jobber.--A service wholesaler who buys more than half his produce from local wholesale handlers.

Service wholesaler.--A receiver-jobber who performs additional services for his customers, the retail stores, such as suggesting retail prices, training produce personnel, and assisting with advertising and merchandising.

Shipper's sales agency.--Sales office for packers and shippers located in the terminal market.

Small firms.--Those selling less than 200 carlots of produce annually.

Terminal broker.--Operates like a selling broker except that he represents buyers rather than sellers, and collects his fee from the buyer.

Truck jobber.--A jobber who conducts his business from his truck. He does not sell from a store, but usually has a regular customer route, delivering on a fixed schedule.

Voluntary group.--A group of retail stores sponsored by an independent wholesale grocer.

Wholesale grocer.--A receiver-jobber or service wholesaler whose main line is dry groceries and who does not sponsor a voluntary group or retailer cooperative.

Wholesale handlers.--Firms which physically handle the merchandise.

